



# Joint Legislative Commission on Energy Policy

*T. Graham Edwards, CEO  
ElectriCities of North Carolina, Inc.  
December 3, 2013*



# Agenda



- History: Why ElectriCities Was Formed
- Governance
- Business
  - NCEMPA
  - NCMPA1



# ***A Look Back at History***



## **The Impact of the 1970s Energy Crisis: Poor Reliability, Rising Costs Created Dire Situation**

- With energy demand outpacing supply, utilities couldn't guarantee reliable long-term power supply
  - Rationing of power predicted
  - Electric costs steadily increasing
- Cities feared negative impact on economic development



## ***A Look Back at History***



### **The Impact of the 1970s Energy Crisis: Poor Reliability**

“For the first time in modern North Carolina, you’re seeing the two largest power companies in the state not being able to say to an industrial prospect, ‘Yes, come any time you want and anywhere you want, and we’ll have power for you.’”

Sherwood Smith,  
Chairman and CEO, CP&L  
October 1981  
*Business North Carolina*



## *A Look Back at History*



### **The Impact of the 1970s Energy Crisis: Rising Costs**

- Wholesale rates were volatile and unpredictable
- Energy rates skyrocketed across the US
- CP&L wholesale rates increased 243% from 1970-'79 in eastern NC
- Duke wholesale rates increased 262% from 1970-'79 in western NC

243% ↑ 262%



# ***Power Agencies are Formed***

## **Energy Crisis Brought Together Utilities and Cities**

- Cities wanted greater reliability and control over costs
- Utilities needed help to finance new power plants

## **The Best Solution at the Time:**

### **Cities Granted Permission to Own Generation**

- Legislation passed unanimously in 1975
- Constitutional Amendment passed in 1977

## **Who Supported the Idea?**

- Governor, Legislators, City Officials, Voters



# Three Mile Island Changed Everything

March 28, 1979

## The Nuclear Accident

Radiation Continues To Leak From Crippled Plant

HARRISBURG, Pa. (AP) — Radiation leaks from the Three Mile Island nuclear power plant continued today, authorities said, as a debate grew over what was described as one of this most serious such incidents in this country's history.

"The vapor that is now going into the atmosphere is from a sump pump and is only mildly radioactive within accepted limits," said Don Curry, a spokesman for the Metropolitan Edison Co., owner of the plant. The pump is designed to remove water after it has cooled the reactor.

"We concede that it's not just a little thing," Curry said. "In terms of publicity it will probably surpass the Browns Ferry incident."

Until now, a March 1976 fire in the control room of the Browns Ferry nuclear plant in Alabama has generally been considered this nation's most dangerous incident involving a nuclear reactor.

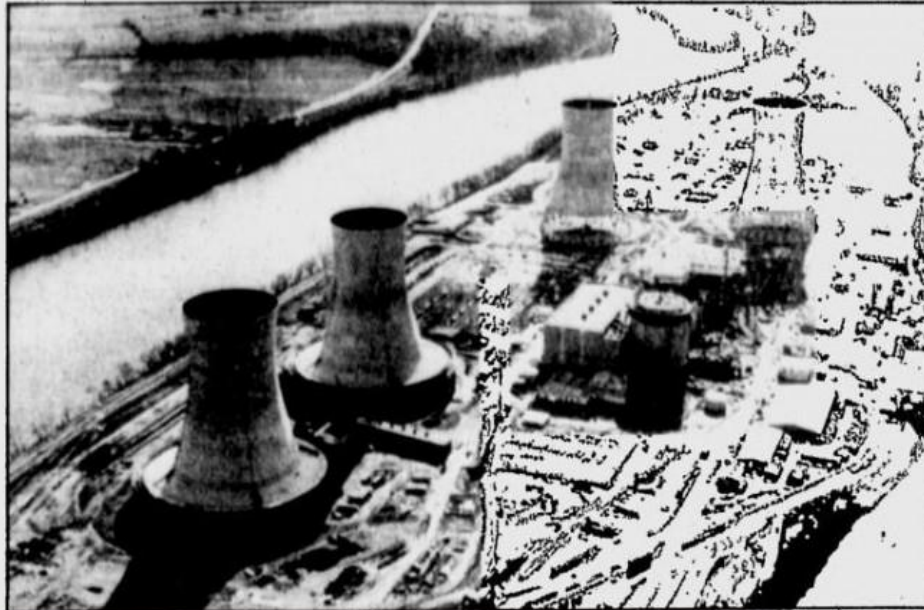
Low level radiation was detected in the air as far as 16 miles away after an apparent valve failure Wednesday morning resulted in excessive pressure being built up in the water used to cool the reactor core at Three Mile Island.

"Some of the water vapor, through the venting system, went into the atmosphere," Curry said.

Curry said the latest radiation measurements outside the plant were at two to three millirems. Individuals are exposed to up to 30-millirems in a single X-ray examination.

Walter Creitz, president of Metropolitan Edison, said on ABC-TV's *Good Morning America* show this morning that the plant shut down safely and that the level of radiation released "would not endanger or injure any people."

Creitz said his company did not know what equipment had been disabled or what precisely caused the accident.



An aerial view of the Three Mile Island nuclear power plant.

AP Photo



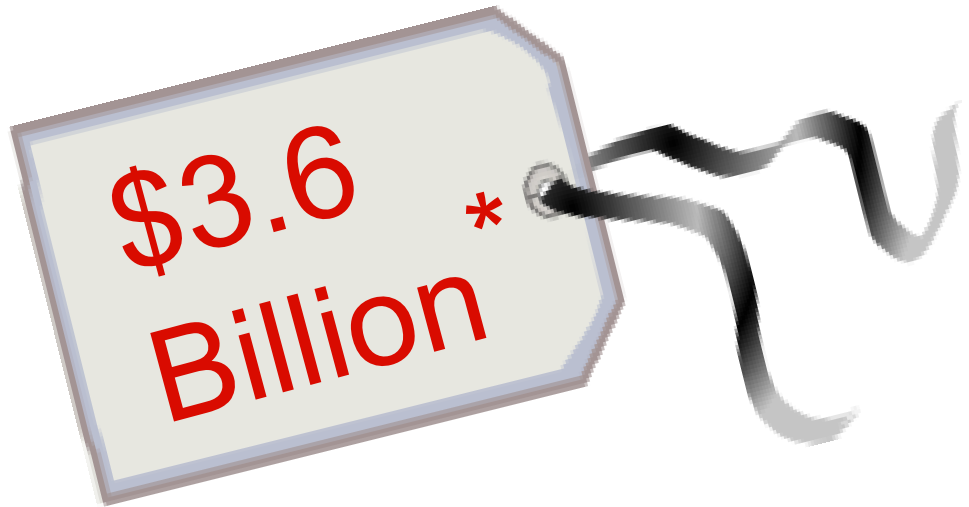


# Three Mile Island Impact on NCEMPA

## The Shearon Harris Nuclear Plant Faced:

- Increased government regulations
- Construction delays
- Significant cost overruns

Plans for three additional units at Shearon Harris were cancelled.



\* \$3.6B includes construction cost, fuel, interest during construction, deferred cost and cancellation cost.  
Original cost estimate: \$1.4B.

Sources: Research Triangle Institute "Policy Options for North Carolina's Municipal Power Agencies" (March 1999) and Electricities "Report to the Study Commission on the Future of Electric Service in North Carolina" (October 1999).





# Three Mile Island Impact on NCMPA1

## The Catawba Nuclear Plant Faced:

- Increased government regulations
- Construction delays
- Significant cost overruns

Cost of NCMPA1 Share  
of Catawba



*\* Source: NCMPA1 "Summary of Events Affecting Current and Projected Power Costs and Responses Thereto" (July 5, 1988); original cost projected to be \$0.5 billion.*



# Agenda



- History
- Governance: How ElectriCities Operates
- Business
  - NCEMPA
  - NCMPPA 1



# Governance Structure

## NCMPA1 Board of Commissioners

### *Primary Responsibilities*

- Accepts/rejects wholesale **rates**
- Adopts NCMPA1 **budgets**
- Concurrence with **debt** issuance



## NCEMPA Board of Commissioners

### *Primary Responsibilities*

- Accepts/rejects wholesale **rates**
- Adopts NCEMPA **budgets**
- Concurrence with **debt** issuance



## ElectriCities Board of Directors

### *Primary Responsibilities*

- Sets policy and strategic direction
- Holds management accountable for day-to-day operations of the Power Agencies
- Reviews and approves ElectriCities budget
- Adopts wholesale rates sufficient to cover Power Agencies' debt and expenses subject to rejection by the Board of Commissioners

## ElectriCities Staff

### *Primary Responsibilities*

- Provides management services to the Power Agencies
- Provides other joint municipal assistance services to 87 cities in NC, SC and VA



## Power Agencies provide wholesale power

- Power Agencies are the wholesale power supplier to their member cities
- Wholesale rates are required by law to be sufficient to pay the bonds used to finance the projects
- Wholesale rates are proposed by Rate Committees, approved by the Board of Directors, Board of Commissioners for each agency can accept or reject
- Cities determine retail rates for their customers taking into account wholesale costs and distribution expenses



## Additional Oversight of Power Agencies

- NCUC - Agencies must file Renewable Energy and Energy Efficiency Portfolio Standard (REPS) compliance reports and plans annually and file for approval of territorial agreements between electrical suppliers
- Local Government Commission must approval all debt issuances
- Required to publish notice of proposed rate increases once a week for two successive weeks in newspapers of general circulation in cities
- Annual audits by independent, outside auditors



# North Carolina Eastern Municipal Power Agency





# ***NCEMPA Jointly Owned Units***

**Harris Plant**  
**16.17% Ownership**  
**(150.0 MW)**  
**License Expires:**  
**10/24/2046**



**Brunswick Plant**  
**18.33% Ownership**  
**(342.7 MW)**  
**U1 License Expires:**  
**9/8/2036**  
**U2 License Expires:**  
**12/27/2034**



**Mayo Plant**  
**16.17% Ownership**  
**(117.6 MW)**



**Roxboro Unit 4**  
**12.94% Ownership**  
**(90.3 MW)**







# NCEMPA Board of Commissioners

*Appointed by Local Governing Board*

## NCEMPA Officers

**Mayor Vivian A. Jones**

Chair, Wake Forest

**Matthew R. Zapp**

Vice Chair, Benson

**Donald I. Evans**

Secretary-Treasurer, Wilson

**Apex**

Bruce A. Radford

*J. Michael Wilson*

*R. Lee Smiley*

**Ayden**

Adam G. Mitchell

*Mayor Stephen W. Tripp*

**Belhaven**

Mayor Adam W. O'Neal

*Dr. Guinn Leverett*

**Benson**

Matthew R. Zapp

*Braston A. Newton*

**Clayton**

Robert J. Ahlert

*Mayor Jody L. McLeod*

**Edenton**

Anne-Marie Knighton

*Willis Privott*

*Glenn Andersen*

**Elizabeth City**

Richard Olson

*Mayor Joseph Peel*

**Farmville**

Richard N. Hicks

*David P. Hodgkins*

*Brian Shackelford*

**Fremont**

Leon V. Mooring

*Harold Cuddington*

**Greenville Utilities Comm.**

Virginia D. Hardy, PhD

*John F. Minges, III*

*Anthony C. (Tony) Cannon*

**Hamilton**

Herbert L. Everett

*Mayor Donald G. Matthews, III*

**Hertford**

Brandon Shoaf

*Mayor Horace C. Reid, Jr.*

**Hobgood**

Vacant

*Danny Ellis*

**Hookerton**

Mayor Robert E. Taylor

*April H. Baker*

*Danny Taylor*

**Kinston**

Vacant

*Tony Sears*

*Rhonda F. Barwick*

**La Grange**

John P. Craft

*Larry Gladney*

*Bobby Wooten*

**Laurinburg**

Charles D. Nichols III

*Curtis B. Leak*

**Louisburg**

Ray Patterson

*Tony L. King*

*Mark R. Warren*

**Lumberton**

Harry L. Ivey

*Leon Maynor*

*T. Wayne Horne*

**New Bern**

Jonathan Rynne

*Vacant*

*Vacant*

**Pikeville**

Lyman G. Galloway

*Robert Hooks*

**Red Springs**

Mayor John M. McNeill

*David Shook*

*Edward Henderson*

**Robersonville**

Elizabeth W. Jenkins

*Stacy Scott*

*John David Jenkins*

**Rocky Mount**

Andre D. Knight

*Charles W. Penny*

*Richard H. Worsinger*

**Scotland Neck**

Mayor Leonard Bunting

*Nancy Jackson*

**Selma**

Vacant

*Donald Baker*

*Mayor Cheryl L. Oliver*

**Smithfield**

Paul Sabiston

*Vacant*

**Southport**

Paul D. Fisher

*James F. Powell III*

**Tarboro**

Rick Page

*Alan Thornton*

*Robert L. (Buddy) Harrison*

**Wake Forest**

Mayor Vivian A. Jones

*Mark S. Williams*

**Washington**

Doug Mercer

*Keith Hardt*

*Brian Alligood*

**Wilson**

Donald I. Evans

*Dathan C. Shows*

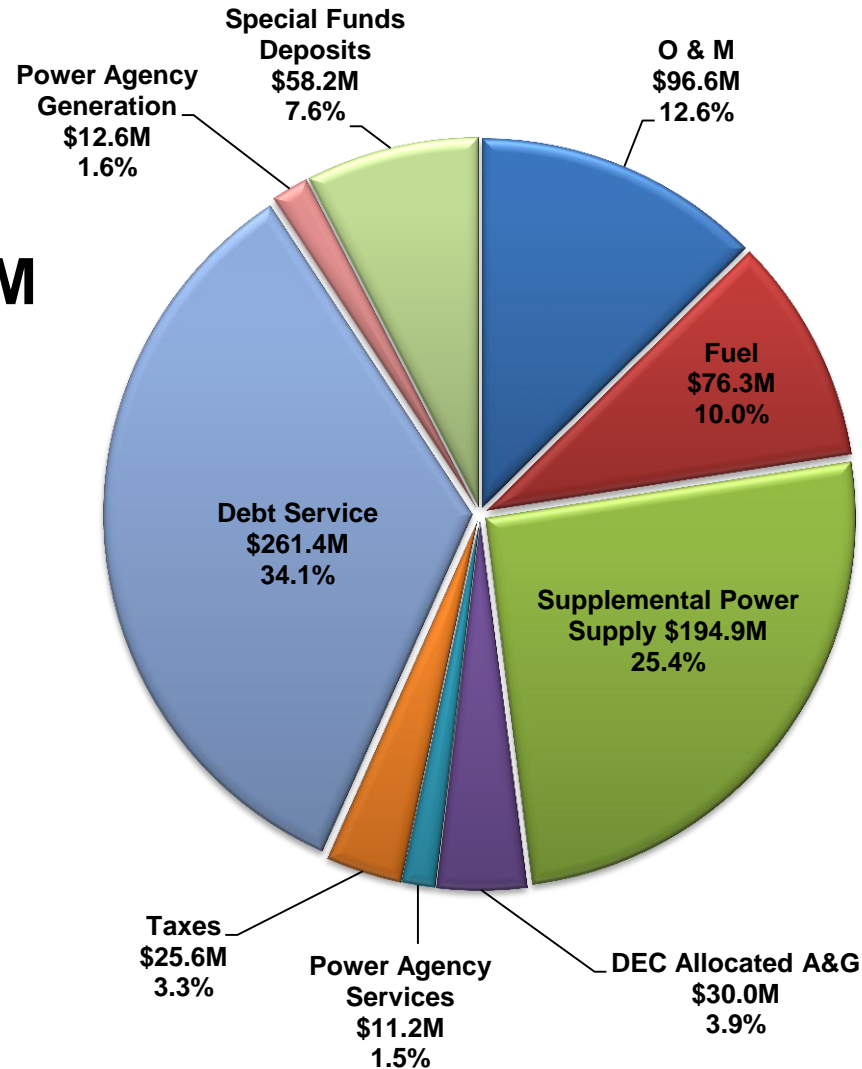
*Grant W. Goings*



# NCEMPA 2013 Budget - Expenses

## 2013 Budget \$767M

(all dollars in millions)

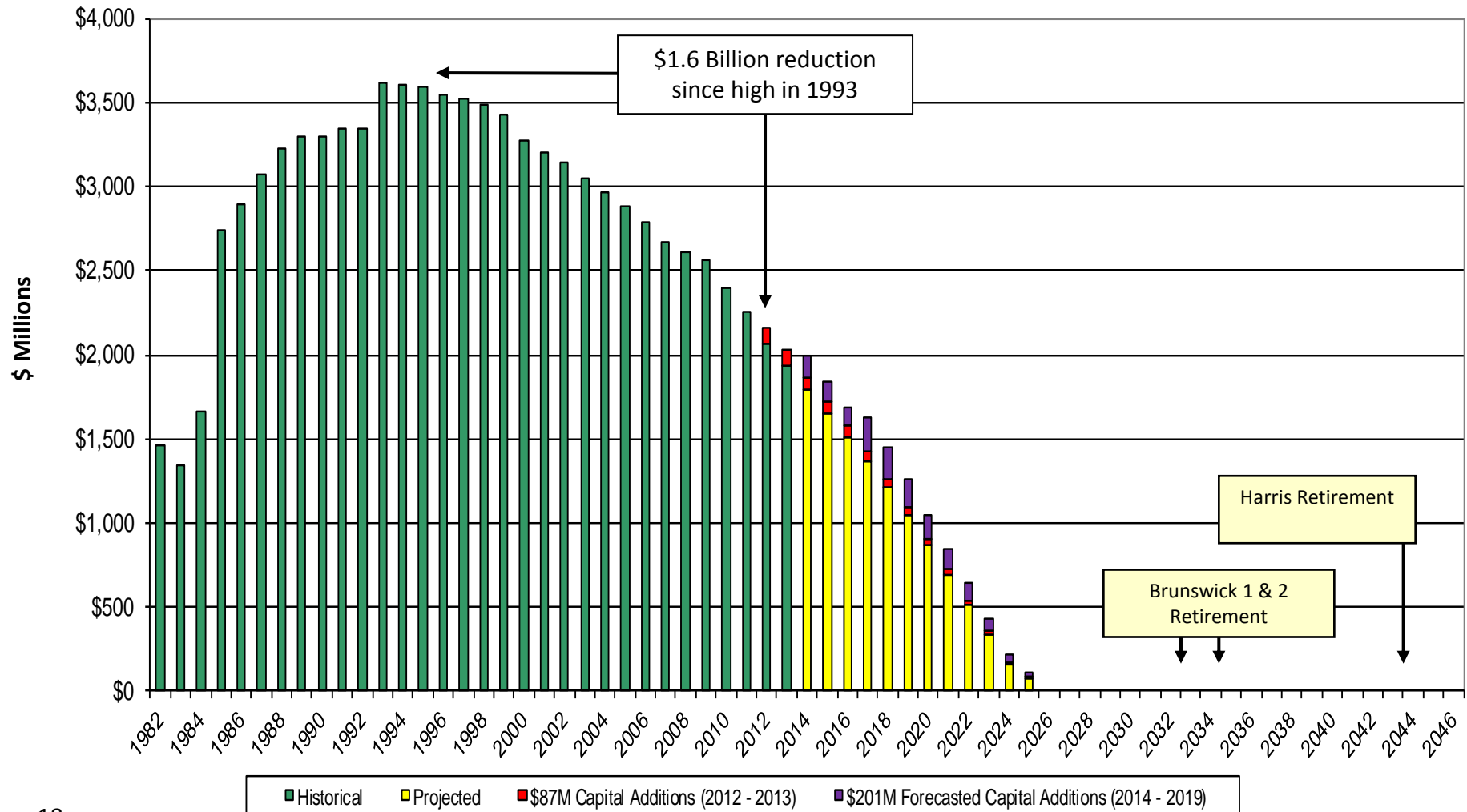




# NCEMPA – Outstanding Debt

Outstanding Debt January 2013 = \$2,025,720,000

Weighted Average Interest Cost = 5.24%





# North Carolina Municipal Power Agency 1



# Catawba Nuclear Station



Nuclear Regulatory Commission issued license extensions December 5, 2003 for both Catawba and McGuire Nuclear Plants

<u>License Expiration</u>	
Catawba 1	12/5/43
Catawba 2	12/5/43
McGuire 1	6/12/41
McGuire 2	3/3/43

- The Catawba plant, which consists of two identical units, is jointly owned by NCMIPA1, Duke, Piedmont Municipal Power Agency (S.C.) and North Carolina Electric Membership Corporation
- NCMIPA1 owns 75% of Catawba Unit 2
- Through contractual arrangements, the owners share both units at the plant
- NCMIPA1 owns the largest share of the Catawba Plant
  - NCMIPA1 37.500%
  - NCEMC 30.754%
  - Duke 19.246%
  - PMPA 12.500%



# NCMPA1 Board of Commissioners

*Appointed by Local Governing Board*

## NCMPA1 Officers

### **Jack F. Neel**

Chairman, Albemarle

#### **Albemarle**

Raymond I. Allen

*Jack F. Neel*

#### **Bostic**

Vacant

*Vacant*

#### **Cherryville**

Mayor Bob Austell

*Brian Dalton*

#### **Cornelius**

Chuck Travis

*David Gilroy*

#### **Drexel**

Sherri Bradshaw

*Carroll Franklin*

#### **Gastonia**

Porter L. McAteer

*Jim Gallagher*

*Paul Jakubczak*

#### **Granite Falls**

Mayor Barry C. Hayes

*Jerry T. Church*

*Frank Mackie*

### **Mayor Barry C. Hayes**

Vice Chairman, Granite Falls

#### **High Point**

Strib Boynton

*Mayor Bernita Sims*

*J. William McGuinn, Jr.*

#### **Huntersville**

Gregory H. Ferguson

*Sarah McAulay*

#### **Landis**

W. Steve Rowland

*D. Reed Linn*

#### **Lexington**

John T. Walser, Jr.

*Mayor Newell Clark*

*L. Wayne Alley*

#### **Lincolnton**

Stephen H. Peeler

*Mayor John O. Gilleland, Jr.*

*Jeff B. Emory*

#### **Maiden**

Billy R. Price

*Marcus C. Midgett*

### **Mayor Constantine H. Kutteh**

Secretary-Treasurer, Statesville

#### **Monroe**

Donald D. Mitchell

*John O. D'Agostino*

*Freddie B. Gordon*

#### **Morganton**

Dan Brown

*Brooks Kirby*

*Sally W. Sandy*

#### **Newton**

Todd Clark

*Wayne Dellinger*

*Douglas S. Wesson*

#### **Pineville**

Mayor George Fowler

*Vacant*

#### **Shelby**

Mayor O. Stanhope Anthony, III

*J. Richard Howell, Jr.*

*Brad R. Cornwell*

#### **Statesville**

Mayor Constantine H. Kutteh

*F. Kent Houpe*

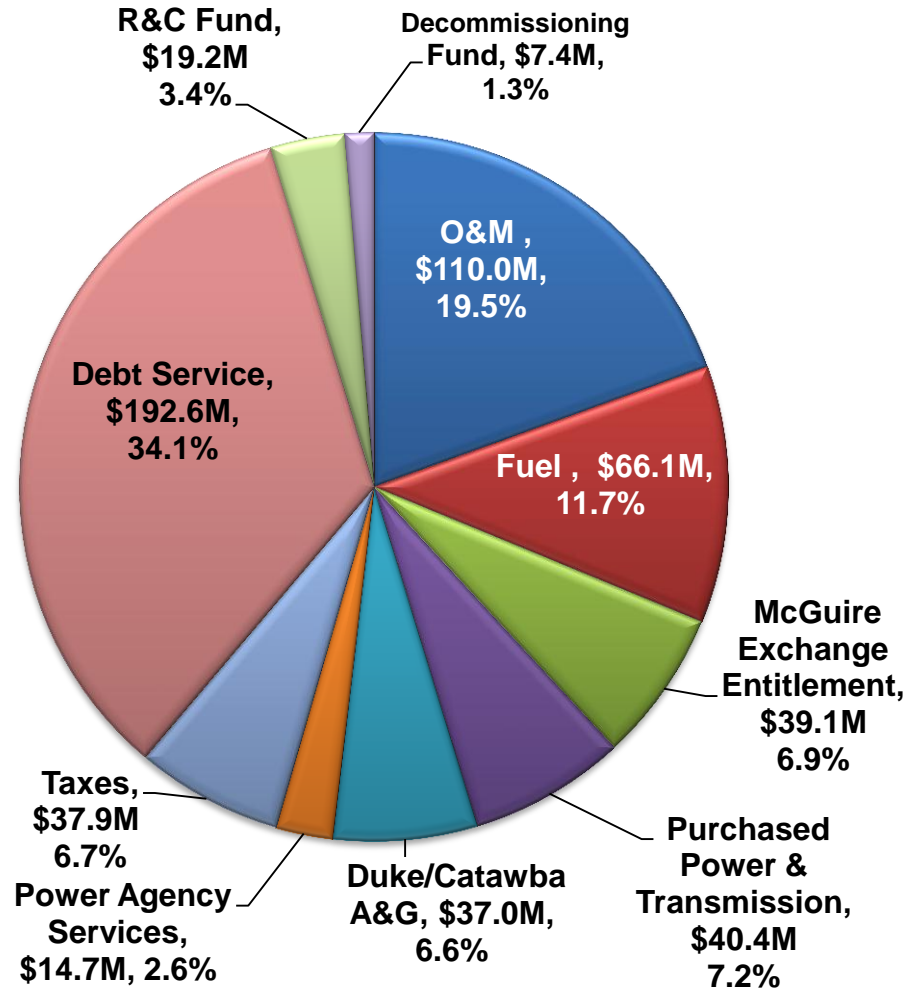
*Larry Pressley*





# NCMPA1 – 2013 Budget Expenses

## 2013 Budget \$564M



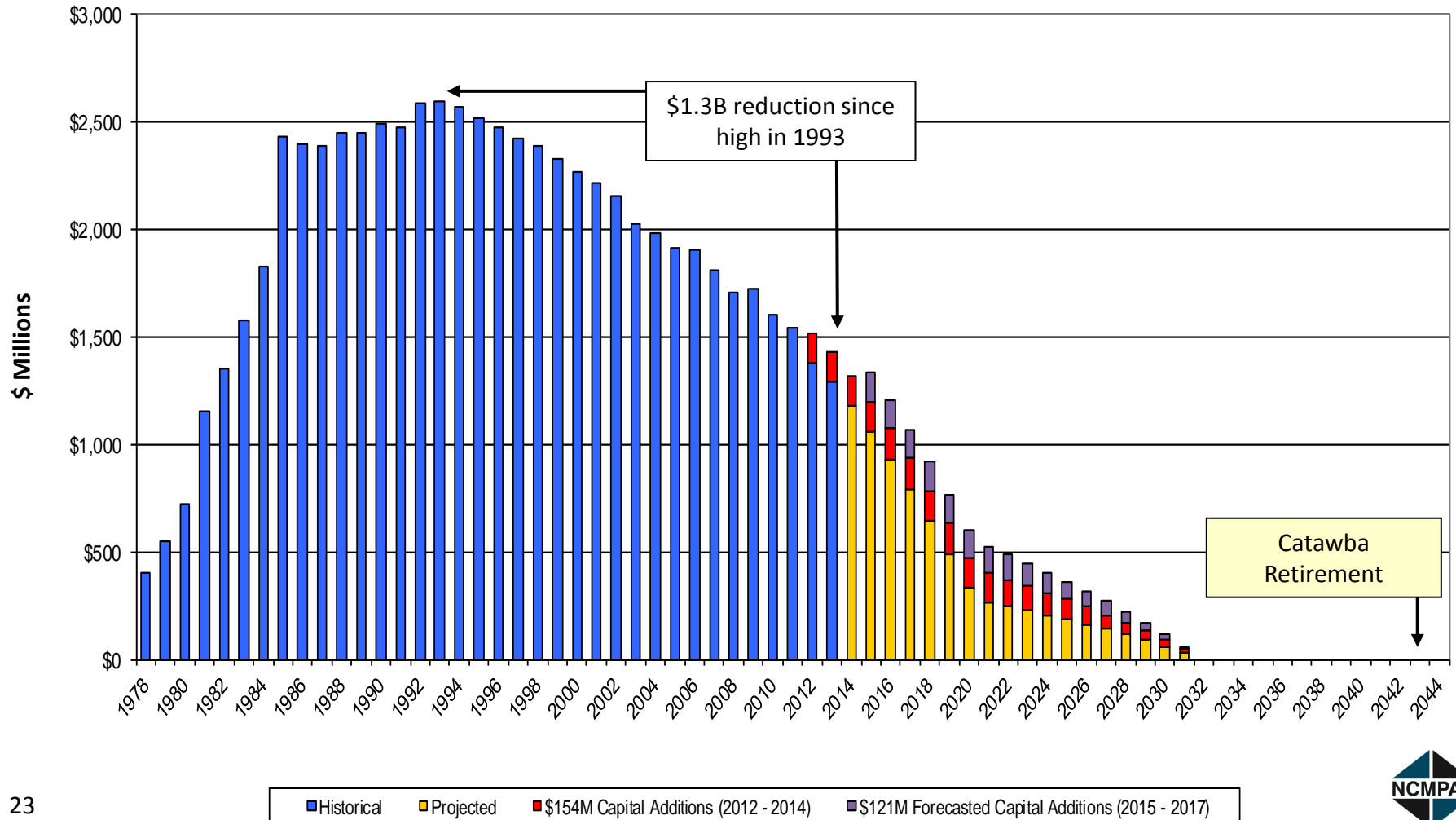




# Outstanding Principal by Year Historical and Projected

Outstanding Debt January 2013 = \$1,433,090,000

Weighted Average Interest Cost = 3.36%





## Our Purpose:

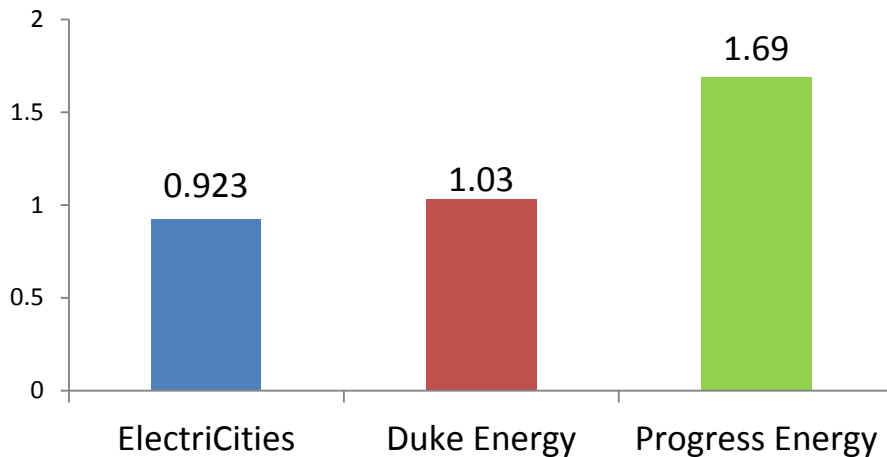
- Delivering value to public power communities through collective strength, wisdom and action while promoting a more successful future for our citizens



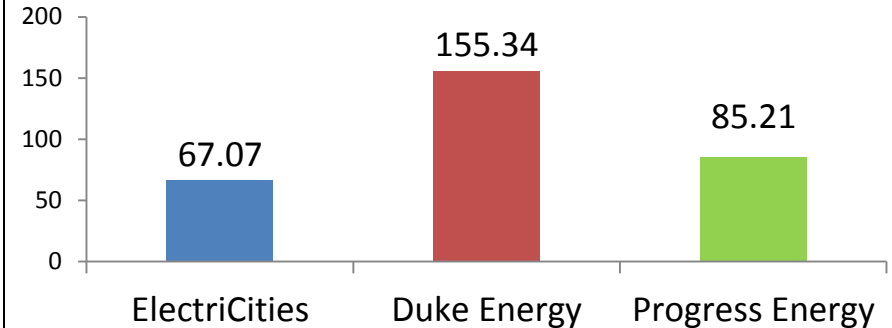
# NC Public Power Reliability

- Industry data shows that ElectriCities communities provide more reliable power and restore power more quickly than investor-owned utilities
- Economist estimates the value of this increased reliability to the customers is between \$25-\$30 million per year

### Average Outages per Year



### Average Restoration Time (in minutes)





## Contact Information

T. Graham Edwards

CEO, ElectriCities of NC, Inc.

Office: 919-760-6330

Cell: 843-647-8355

Email: [gedwards@electricities.org](mailto:gedwards@electricities.org)